

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE SOUTH)
SHORE WATER WORKS CO.) CASE NO. 94-188

O R D E R

On May 11, 1994, the South Shore Water Works Company ("South Shore") applied for an increase in its rates for water service. The proposed rates would generate an increase in annual revenues of \$138,580, an increase of 45.2 percent over normalized test period revenues from rates of \$306,713. On November 15, 1994, South Shore placed the proposed rates into effect pending the Commission's final determination.

Commission Staff conducted a limited financial review of South Shore's test period operations. Based upon this review, Staff issued a report on December 19, 1994, recommending that South Shore be allowed to increase its revenues from rates by \$84,565.

Following the issuance of the Commission Staff Report, settlement discussions between Commission Staff and South Shore occurred. As a result of these negotiations, a settlement agreement was executed and submitted to the Commission for its approval. Under the terms of the agreement, South Shore will be granted a revenue increase of \$106,378.

After careful review of the Settlement Agreement, the Commission finds that the Settlement Agreement's terms are

reasonable and that the Settlement Agreement is in the public interest and should be accepted.

IT IS THEREFORE ORDERED that:

1. The rate proposed by South Shore in its application is denied.

2. The Settlement Agreement, appended hereto as Appendix A, is incorporated into this Order as if fully set forth herein.

3. The terms and conditions set forth in the Settlement Agreement are adopted and approved.

4. The rates set forth in Appendix B are approved for service rendered by South Shore on and after November 15, 1994.

5. South Shore shall refund all amounts collected in excess of the rates approved for service rendered from November 15, 1994 until the date of this Order.

6. South Shore shall refund the amounts collected in excess of the rates established herein plus interest at a rate equal to the average "3-month Commercial Paper Rate" for February, 1995, as reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

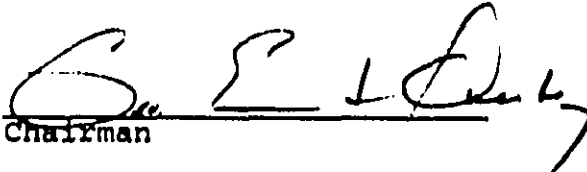
7. The refund shall be made by either direct payment or bill credit within 60 days of the date of this Order as required by KRS 278.190(4).

8. Within 30 days of the date the refund is completed, South Shore shall file with the Commission a summary statement showing a reconciliation of customer billings and the amount refunded.

9. Within 30 days of the date of this Order, South Shore shall file with the Commission its revised tariff setting out the rate approved for service rendered on and after the date of this Order.

Done at Frankfort, Kentucky, this 8th day of March, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

RECEIVED

COMMONWEALTH OF KENTUCKY

FEB 23 1995

BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF)
THE SOUTH SHORE WATER WORKS) CASE NO. 94-188
COMPANY)

AGREEMENT

THIS AGREEMENT is made and entered this 23rd day of February, 1995, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and SOUTH SHORE WATER WORKS COMPANY ("South Shore").

WITNESSETH:

THAT, WHEREAS, on May 11, 1994, South Shore applied to the Public Service Commission for authority to adjust its basic rates to produce additional annual revenue in the amount of \$138,580; and

WHEREAS, no persons have sought or been granted intervention in this proceeding; and

WHEREAS, on December 19, 1994, Commission Staff submitted to the Commission a report on South Shore's application in which it recommended that South Shore's rates be adjusted to increase its operating revenues by \$84,565; and,

WHEREAS, since filing its application for a rate adjustment, South Shore has applied to the Public Service Commission for a Certificate of Public Convenience and Necessity to construct additional wells; and,

WHEREAS, the Public Service Commission has granted South Shore a Certificate of Public Convenience and Necessity to construct additional wells; and,

WHEREAS, South Shore and Commission Staff have met and discussed South Shore's application and reached agreement on all outstanding issues;

NOW, THEREFORE, be it resolved that:

1. South Shore and Commission Staff mutually agree that all outstanding issues raised in this proceeding shall be resolved by this Settlement Agreement.

2. South Shore and Commission Staff agree that South Shore's adjusted revenue for the test-year period (January 1, 1993 to December 31, 1993) is \$329,051. A summary of adjusted revenues is as follows:

Meter Water Sales	\$306,713
Other Operating Revenues	10,633
Other Income	<u>11,705</u>
Total Revenue	<u>\$329,051</u>

"Other Income" includes interest income and revenue from the sale of water usage information to the City of South Shore.

3. South Shore and Commission Staff agree that South Shore's adjusted test-year operating expenses are \$365,501. These expenses are summarized below:

Operation & Maintenance:

Salaries & Wages - Employee	\$124,369
Salaries & Wages - Officers	38,703
Employee Pension & Benefits	19,200
Electric Expense	27,278
Gas - Columbia Gas of Ky.	1,452
Chemicals	11,398
Materials & Supplies	31,411
Engineering Fees	0
Accounting Fees	2,400
Legal Fees	0
Management Fees	0

Testing Fees	1,008
Rent - Building	7,800
Lease - Trucks	11,904
Transportation	6,196
Insurance - Vehicle	2,926
Insurance - General Liability	5,848
Insurance - Workers Compensation	9,407
PSC Assessment	<u>622</u>
Total	<u>\$301,922</u>

Depreciation	30,464
Amortization	12,119
Taxes Other Than Income Tax	<u>20,996</u>
Total Operating Expense	<u>\$365,501</u>

4. Based upon the agreed adjusted test-year revenues and expenses, South Shore requires a revenue increase of \$106,378. This increase is calculated as follows:

Operating Expenses	\$365,501
Operating Ratio	<u>88.00%</u>
Subtotal	\$415,342
Less: Operating Expenses	<u>365,501</u>
Margin Exclusive of Income Tax	\$49,841
Times: Gross-up Margin	<u>1.2254902</u>
Margin Inclusive of Income Tax	\$ 61,080
Add: Operating Expenses	365,501
Annual Well Cleaning	<u>8,848</u>
Revenue Requirement	\$435,429
Less: Metered Water Sales	306,713
Other Operating Revenue	10,633
Other Income	<u>11,705</u>
Revenue Increase	<u>\$106,378</u>

5. The following monthly rates will produce operating revenue of \$413,166, based upon test-year water sales:

First 1,000 gallons	\$5.36 (Minimum Bill)
Next 9,000 gallons	2.66 per 1,000 gallons
Next 20,000 gallons	2.22 per 1,000 gallons
Over 30,000 gallons	2.11 per 1,000 gallons
Hydrants	\$9.45

6. South Shore's annual expenses for well cleaning should be \$8,848. This amount is based upon the average of South Shore's well cleaning expenses for the past three years.

7. South Shore agrees to place \$8,848 of its annual revenues into a restricted account. Each month South Shore shall deposit \$737.33 into this restricted account. Disbursements from this account will be made solely for well cleaning expenses. South Shore further agrees to submit every six months a written report of the disbursements from this account. This report shall include a copy of all invoices for well cleaning expenses incurred during the period under review and statement of deposits to the account. South Shore shall submit the first report on or before July 31, 1995. Within two years of the date of an Order accepting this Agreement, the Commission should review the need for continuing this restriction.

8. South Shore recognizes and acknowledges its obligation to operate its system at the lowest possible cost consistent with the furnishing of adequate, efficient, and reasonable electric service. South Shore agrees to take all reasonable steps necessary to comply with this obligation.

9. This Agreement is reasonable, will result in fair, just, and reasonable rates, and should be adopted by the Public Service Commission.

10. This Agreement is subject to the acceptance of and approval by the Public Service Commission.

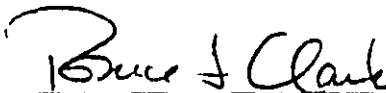
11. If the Public Service Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during settlement negotiations shall be binding on either signatory.

12. If the Public Service Commission accepts and adopts this Settlement Agreement in its entirety and enters an order in this proceeding to that effect, South Shore shall not apply for rehearing in this proceeding nor bring an action for review of that order.

13. Commission Staff agrees to recommend to the Public Service Commission that this Agreement be accepted and approved.

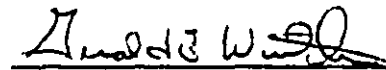
14. This Settlement Agreement is submitted for purposes of this case only and is not deemed binding upon the signatories hereto in any other proceeding nor is it to be offered or relied upon in any other proceeding involving the signatories.

AGREED TO:



BRUCE F. CLARK
Stites and Harblson
421 West Main Street
Frankfort, Kentucky 40601

Counsel for South Shore Water Works Company



GERALD E. WUETCHER
Post Office Box 615
Frankfort, Kentucky 40602

Counsel for the Staff of the Public Service Commission

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 94-188 DATED March 8, 1995.

The following rates and charges are prescribed for water service to customers of South Shore Water Works Company. All other rates and charges not specifically set forth herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

<u>Usage Increment</u>	<u>Rate</u>
First 1,000 gallons	\$5.36 (Minimum Bill)
Next 9,000 gallons	\$2.66 per 1,000 gallons
Next 20,000 gallons	\$2.22 per 1,000 gallons
Next 30,000 gallons	\$2.11 per 1,000 gallons
Hydrants	\$9.45